

SUBSTANCE ABUSE SERVICES CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
AND  
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER  
JUNE 30, 2013 AND 2012

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Avenarius	President	June 2013
Steve Eastvedt	Vice-President	June 2015
Jack Young	Secretary	June 2013
Leo Hickie III	Treasurer	June 2013
Clifford Bunting	Member	June 2013
Lou Fuller	Member	June 2013
Gregory Egan	Member	June 2015
Sheila Freiburger	Member	June 2013
Peggy Petlon	Member	June 2013
Dorothy Schlueter	Member	June 2013
Traci Suarez	Member	June 2014
Sue Davison	At-Large	June 2015
Valerie Bell	At-Large	June 2015
Diane Thomas	Executive Director	Indefinite

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*Certified Public Accountants*

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## Independent Auditors' Report

To the Board of Directors  
Substance Abuse Services Center

### Report on the Financial Statements

We have audited the accompanying Statements of Financial Position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2013 and 2012, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statements for the years then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Substance Abuse Services Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2013 and 2012, and the changes in its net assets and, where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2013 on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Substance Abuse Services Center's internal control over financial reporting and compliance.

JIM KIRCHER & ASSOCIATES, P.C.

*Jim Kircher & Associates, P.C.*

Dubuque, Iowa  
September 20, 2013

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

Assets	2013	2012
Current Assets:		
Cash	\$ 698,297	\$ 587,959
Certificate of Deposit	101,967	100,359
Accounts receivable, less allowance for doubtful accounts - 2013 \$11,696 and 2012 \$8,405	37,176	22,480
Grants receivable	69,885	126,116
Prepaid expenses	37,145	39,381
Total Current Assets	<u>\$ 944,470</u>	<u>\$ 876,295</u>
Property and Equipment:		
Leasehold improvements	\$ 319,050	\$ 326,329
Office furniture and equipment	155,207	185,447
Accumulated depreciation and amortization	(208,000)	(208,029)
Net Property and Equipment	<u>\$ 266,257</u>	<u>\$ 303,747</u>
Total Assets	<u><u>\$ 1,210,727</u></u>	<u><u>\$ 1,180,042</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 17,414	\$ 35,448
Accrued salaries	8,435	8,847
Compensated absences	43,662	41,645
Total Current Liabilities	<u>\$ 69,511</u>	<u>\$ 85,940</u>
Net Assets:		
Net Assets - Undesignated	\$ 1,000,781	\$ 1,054,566
Net Assets - Board Designated for Suta Claims	40,435	39,536
Net Assets - Board Designated for an electronic health record	100,000	-0-
Total Net Assets	<u>\$ 1,141,216</u>	<u>\$ 1,094,102</u>
Total Liabilities and Net Assets	<u><u>\$ 1,210,727</u></u>	<u><u>\$ 1,180,042</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<u>PUBLIC SUPPORT AND REVENUE</u>		
Public Support:		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 511,202	\$ 498,876
Managed Care-Federal Funds	233,991	279,158
Access To Recovery	81,869	79,774
United Way	29,337	24,993
Cities	250	14,738
Schools	15,884	18,147
Drug court	36,892	50,700
Gambling Grants	396,138	362,902
OWI III Contract	22,200	23,000
Dubuque Racing Association Grant	7,685	4,800
U.S. Probation Office - Probation Service	5,416	5,321
Total Public Support	<u>\$ 1,340,864</u>	<u>\$ 1,362,409</u>
Revenue:		
Client Fees	\$ 210,672	\$ 191,298
Third Party Pay	328,077	290,626
Interest on Investments	3,116	2,315
Miscellaneous	22,148	708
Total Revenue	<u>\$ 564,013</u>	<u>\$ 484,947</u>
Total Public Support and Revenue	<u>\$ 1,904,877</u>	<u>\$ 1,847,356</u>
<u>EXPENSES</u>		
Program Services	\$ 1,596,795	\$ 1,504,723
Support Services	260,968	225,296
Total Expenses	<u>\$ 1,857,763</u>	<u>\$ 1,730,019</u>
Change in Net Assets	\$ 47,114	\$ 117,337
Net Assets Beginning of Year	1,094,102	976,765
Net Assets End of Year	<u>\$ 1,141,216</u>	<u>\$ 1,094,102</u>

See accompanying notes to financial statements.



SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention	Linn/Clinton Gambling			
Salaries	\$ 728,207	\$ 122,458	\$ 20,062	\$ 117,607	\$ 988,334	\$ 124,909	\$ 1,113,243
Benefits & taxes	185,195	27,767	3,518	22,811	239,291	25,733	265,024
Total Salaries & Related Expenses	\$ 913,402	\$ 150,225	\$ 23,580	\$ 140,418	\$ 1,227,625	\$ 150,642	\$ 1,378,267
Rent	83,870	12,920	801	13,513	111,104	10,586	121,690
Supplies & printing	24,642	5,185	81	1,922	31,830	3,176	35,006
Insurance	6,545	999	91	890	8,525	640	9,165
Postage	1,420	230	14	242	1,906	177	2,083
Dues & subscriptions	108	-0-	-0-	-0-	108	4,546	4,654
Business travel	3,597	9,390	414	4,297	17,698	6,907	24,605
Conferences & travel	7,385	6,529	233	1,763	15,910	1,167	17,077
Contract services	46,203	5,664	351	5,679	57,897	16,840	74,737
Telephone & Internet	12,720	2,822	110	5,248	20,900	2,116	23,016
Advertising & promotion	1,944	8,003	8	3,294	13,249	98	13,347
Small equipment & repair	3,474	465	30	2,391	6,360	1,155	7,515
Bad debts	3,430	3	-0-	-0-	3,433	-0-	3,433
Utilities	2,066	318	24	321	2,729	244	2,973
Access to Recovery expenses	40,201	6,132	-0-	8,012	54,345	-0-	54,345
Depreciation	-0-	-0-	-0-	-0-	-0-	38,302	38,302
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	19,996	1,032	157	1,991	23,176	24,372	47,548
Total Expenses	<u>\$ 1,171,003</u>	<u>\$ 209,917</u>	<u>\$ 25,894</u>	<u>\$ 189,981</u>	<u>\$ 1,596,795</u>	<u>\$ 260,968</u>	<u>\$ 1,857,763</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 706,105	\$ 121,395	\$ 27,857	\$ 69,733	\$ 925,090	\$ 108,810	\$ 1,033,900
Benefits & taxes	191,155	26,176	5,333	13,676	236,340	23,461	259,801
Total Salaries & Related Expenses	\$ 897,260	\$ 147,571	\$ 33,190	\$ 83,409	\$ 1,161,430	\$ 132,271	\$ 1,293,701
Rent	78,517	12,561	1,282	14,177	106,537	6,624	113,161
Supplies & printing	20,502	3,918	103	2,344	26,867	3,028	29,895
Insurance	6,579	1,111	150	800	8,640	557	9,197
Postage	1,883	284	29	248	2,444	212	2,656
Dues & subscriptions	154	-0-	-0-	-0-	154	4,736	4,890
Business travel	2,217	12,668	255	2,439	17,579	6,270	23,849
Conferences & travel	6,778	2,700	123	1,473	11,074	1,789	12,863
Contract services	51,069	5,129	538	4,914	61,650	19,892	81,542
Telephone & Internet	13,224	2,973	181	3,472	19,850	1,716	21,566
Advertising & promotion	1,609	13,947	20	3,062	18,638	895	19,533
Small equipment & repair	4,448	2,525	50	459	7,482	744	8,226
Bad debts	2,020	32	-0-	-0-	2,052	-0-	2,052
Utilities	2,405	382	38	259	3,084	200	3,284
Access to Recovery expenses	33,882	5,110	-0-	2,624	41,616	-0-	41,616
Depreciation	-0-	-0-	-0-	-0-	-0-	35,953	35,953
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	13,987	1,139	218	282	15,626	10,409	26,035
Total Expenses	<u>\$ 1,136,534</u>	<u>\$ 212,050</u>	<u>\$ 36,177</u>	<u>\$ 119,962</u>	<u>\$ 1,504,723</u>	<u>\$ 225,296</u>	<u>\$ 1,730,019</u>

See accompanying notes to financial statements.

# SUBSTANCE ABUSE SERVICES CENTER

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 524,053	\$ 478,999
Cash received from grants	1,397,095	1,316,867
Cash received from others	26,085	708
Interest received	1,508	1,956
Cash paid to employees and suppliers	<u>(1,833,654)</u>	<u>(1,659,935)</u>
Net Cash Provided By Operating Activities	\$ 115,087	\$ 138,595
Cash Flows From Investing Activities:		
Redemption (Purchase) of Certificate of Deposit	\$ -0-	\$ (100,000)
Purchase of leasehold improvements	-0-	(1,735)
Purchase of property and equipment	(7,749)	(19,707)
Proceeds on sale of equipment	<u>3,000</u>	<u>-0-</u>
Net Cash Provided (Used) From Investing Activities	\$ <u>(4,749)</u>	\$ <u>(121,442)</u>
Net Increase (Decrease) in Cash and Equivalents	\$ 110,338	\$ 17,153
Cash and Equivalents at Beginning of Year	<u>587,959</u>	<u>570,806</u>
Cash and Equivalents at End of Year	<u>\$ 698,297</u>	<u>\$ 587,959</u>

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012  
(CONTINUED)

Reconciliation of Changes in Net Assets to Net Cash  
from Operating Activities

	2013	2012
Changes in Net Assets	<u>\$ 47,114</u>	<u>\$ 117,337</u>
Adjustments:		
Depreciation	\$ 38,302	\$ 35,953
Interest income reinvested	(1,608)	(359)
Loss on disposition of equipment	3,937	-0-
Changes in Assets and Liabilities:		
(Increase)Decrease in patient accounts receivable	(14,696)	(2,925)
(Increase) Decrease in grants receivable	56,231	(45,542)
(Increase) Decrease in prepaid expenses	2,236	(2,149)
Increase (Decrease) in accounts payable	(18,034)	30,855
Increase (Decrease) in accrued salaries	(412)	390
Increase (Decrease) in accrued expenses	2,017	5,035
Net Adjustments	<u>\$ 67,973</u>	<u>\$ 21,258</u>
Net cash Provided By Operating Activities	<u>\$ 115,087</u>	<u>\$ 138,595</u>
Non Cash Investing and Financing Activities:		
Interest earned added directly to Certificates of Deposit	<u>\$ 1,608</u>	<u>\$ 359</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide quality counseling, education, and support services to address alcohol, drug, and gambling concerns while promoting physical and mental wellness.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2013 and 2012.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on the average historical uncollected balance.

Allowance for Doubtful Accounts

An allowance for third party and client receivables is estimated based on the 5 year actual write-off percentage of recorded revenues. The total allowance for June 30, 2013 and 2012 was \$11,696 and \$8,405 respectively.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-15 years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2013 and 2012 was \$5,331 and \$5,997 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (CONTINUED)

### (2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Leasehold Improvements	\$ 326,329	\$ -0-	\$ 7,279	\$ 319,050
Office Equipment	185,447	7,749	37,989	155,207
Total	<u>\$ 511,776</u>	<u>\$ 7,749</u>	<u>\$ 45,268</u>	<u>\$ 474,257</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$38,302 and \$35,953 respectively.

### (3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$22,031 and \$20,693 relating to the matching of employee contributions for the years ended June 30, 2013 and 2012 respectively.

### (4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. There was an addendum to the lease for an additional 1,600 square feet of office space effective on July 1, 2009 and ending on June 30, 2014. The monthly lease payment for these two parcels is \$6,577.34.

Substance Abuse Services Center has agreed to an addendum to the original lease with Banner Investments for the rental of 339 square feet of office space and 1,152 square feet of storage space. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payments are \$166.68 and \$192.00 respectively. All leases have 3 five year renewal options with rent increases of 5% at each renewal period.



# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (CONTINUED)

### (4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2011 and ending August 31, 2016 with a monthly lease payment of \$1,968.24. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

Substance Abuse Services Center entered into a lease agreement with BRB Investments for 1,175 sq. ft. of office space in Cedar Rapids, Iowa. The lease term is for thirteen (13) months from June 1, 2013 through June 30, 2014. The monthly lease payment is \$1,175.

Rental expense for the years ended June 30, 2013 and 2012 was \$121,689 and \$113,160 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Cedar Rapids</u>	<u>Total</u>
2014	23,619	83,232	14,100	120,951
2015	23,619	-0-	-0-	23,619
2016	23,619	-0-	-0-	23,619
2017	3,937	-0-	-0-	3,937
	<u>\$ 74,794</u>	<u>\$ 83,232</u>	<u>\$ 14,100</u>	<u>\$ 172,126</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(CONTINUED)

(5) Grants Receivable

Grants Receivable at June 30, 2013 and 2012 are composed of the following:

	<u>2013</u>	<u>2012</u>
Iowa Department of Correctional Services	\$ 3,700	\$ 3,833
Iowa Department of Correction Services - Drug Court	5,876	8,450
United States Probation Office	450	1,578
Iowa Department of Public Health - Gambling Treatment N.E. Iowa	21,386	54,422
Iowa Department of Public Health - Access to Recovery	7,002	9,866
Iowa Department of Public Health - Gambling Treatment - Linn Co.	25,983	43,974
Dubuque United Way	<u>5,488</u>	<u>3,993</u>
	<u>\$ 69,885</u>	<u>\$ 126,116</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2013 and 2012 include the following:

	<u>2013</u>	<u>2012</u>
A) SUTA Claims Account	\$ 40,435	\$ 39,536
B) An Electronic Health Record Reserve	<u>\$ 100,000</u>	<u>\$ -0-</u>

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(CONTINUED)

(8) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 39.28% and 42.12% of total revenue for the years ended June 30, 2013 and 2012 respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 20, 2013 which is the date the financial statements were available to be issued.

SUBSTANCE ABUSE SERVICES CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
First Judicial District Department of Correctional Services	N/A	N/A	\$ 39,466
United States Probation Office Probation Services Contract	BPA 0862- 1333	N/A	<u>6,544</u>
Total Direct			<u><u>\$ 46,010</u></u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93959	\$ 233,991
Division of Behavioral Health		93275	<u>100,223</u>
Total Indirect			<u>\$ 334,214</u>
Total			<u><u>\$ 380,224</u></u>

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Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees  
Substance Abuse Services Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Substance Abuse Services Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Substance Abuse Services Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Services Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JIM KIRCHER & ASSOCIATES, P.C.

A handwritten signature in dark ink that reads "jim kircher & associates, P.C." in a cursive, lowercase style.

Dubuque, Iowa  
September 20, 2013